

State OKs \$9.7M gas rate cut

GRACE LEONG - Daily Herald Saturday, May 27, 2006

The state Public Service Commission on Friday approved a settlement between Questar Gas and state regulators that will lead to a \$9.7 million cut in natural gas rates to Utah consumers next month.

Under the settlement, the average Questar Gas customer's monthly bill will drop by \$1 starting June 1. That reduction, along with two earlier rate reductions -- \$38.7 million in April and \$93.7 million in February -- will lower the average Utah household's annual gas bill by about \$150.

Questar Gas had initially proposed to cut rates by \$10.2 million in return for the commission's approval of the utility's request for an adjustment, or conservation-enabling tariff.

But the utility settled on a \$9.7 million rate cut with no strings attached after the Committee of Consumer Services raised concerns about the utility using the tariff to protect its revenues from declining gas usage. The Utah consumer advocate also cast doubts on whether the tariff would benefit ratepayers.

But Alan Allred, president and CEO of Questar Gas, disputed the committee's claims.

"We've agreed in good faith to cut our rates, with the understanding that the parties will address the merits of the conservation-enabling tariff," he said. "By removing the barriers to conservation we believe there is potential for energy-cost savings far in excess of this rate reduction."

Hearings on the proposed tariff will start June 26.

If approved, the tariff will allow Questar to change the way it collects and accounts for its fixed costs, or the costs of maintaining its gas distribution system, Questar officials say.

Chad Jones, Questar's spokesman, said the current rate structure is a barrier to conservation efforts because reduced usage hurts the utility's revenues and profits. "Under the proposed tariff, Questar Gas revenues would be decoupled from the volume of gas used by customers," he said.

At stake is the utility's ability to more efficiently collect what it says is authorized by the state Commission -- non-gas costs estimated at around \$224 million annually -- from its customers. Its ability to recover those costs has been hampered by declining gas usage over the past two decades.

This story appeared in The Daily Herald on page D6.